

Message Text

UNCLASSIFIED

PAGE 01 NEW DE 02333 131623Z

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FOR USDA PASS FAS FROM AGATT

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SUBJECT: CHANGES IN EXPORT DUTIES ON COFFEE, PEANUTS,
AND SPECIFIED JUTE GOODS

1. EFFECTIVE FEBRUARY 12, 1976, THE GOI DECIDED TO MAKE SEVERAL IMPORTANT CHANGES IN THE EXPORT DUTIES APPLIED ON COFFEE, PEANUTS, AND SPECIFIED JUTE GOODS. WHILE THE DECISION TO SHARPLY INCREASE THE DUTY ON COFFEE AND RE-IMPOSE IT ON PEANUTS (KERNELS AND IN-SHELL) IS PRIMARILY AIMED AT ABSORBING SOME OF THE PROFITS GENERATED FROM THEIR EXPORT, THE DECISION TO EXEMPT SEVERAL JUTE PRODUCTS HAS BEEN TAKEN IN ORDER TO IMPROVE THEIR COMPETITIVENESS IN WORLD MARKETS.

2. ACTION WITH RESPECT TO THE EXPORT DUTY ON COFFEE REFLECTS A SIX-FOLD INCREASE: FROM RS.50 TO RS.300 PER QUINTAL (DOLS0.03 TO DOL 0.16 PER POUND). INDIA IS CURRENTLY IN A POSITION TO TAKE PARTICULAR ADVANTAGE OF THE RISE IN INTERNATIONAL PRICES THAT HAS OCCURRED SINCE LAST JULY AND RELATES PREDOMINANTLY TO THE FROST-DAMAGED BRAZILIAN CROP AND MORE RECENTLY TO THE REPORT OF RAIN-DAMAGE TO THE COLOMBIAN CROP AND CONTNUED UNREST IN ANGOLA. WITH A CARRYOVER STOCK FROM THE 1974-75 SEASON (OCTOBER-SEPTEMBER) OF 40,500 MT AND ESTIMATED RECEIPTS OF COFFEE INTO THE

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PAGE 02 NEW DE 02333 131623Z

POOL DURING 1975-76 OF 97,500, THE TOTAL SUPPLY COMES TO AROUND

138,000 MT - EASILY SUFFICIENT TO MEET DOMESTIC REQUIREMENTS OF APPROXIMATELY 43,000 MT AND MAINTAIN THE CURRENT TEMP OF EXPORTS. EXPORTS FOR 1975-76 ARE PLACED AT A MINIMUM OF 63,000 MT, COMPARED TO THE 60,000 MT ESTIMATE FOR LAST YEAR; AND THE GOI IS LOOKING TO THIS PERFORMANCE AS A SOURCE FOR PERHAPS DOLS70 MILLION IN SORELY NEEDED FOREIGN EXCHANGE. REVENUE FROM THE SALE OF COFFEE IN INTENATIONAL MRKETS HAS RISEN DRAMATICALLY IN THE LAST FIFTEEN YEARS. FROM DOLS15 MILLION IN 1960-61, THE LEVEL REACHED JUST OVER DOLS33 MILLION IN 1970-71 AND THEN MORE THAN DOUBLED TO JUST OVER DOLS70 MILLION LAST YEAR.

3. A FINAL DEVELOPMENT IN THE COFFEE SITUATION CONCERNS A RECENT SOVIET ORDER FOR 300 MT OF INSTANT COFFEE. THE USSR HAS HISTORICALLY FIGURED PROMINENTLY IN INDIA'S EXPORT MARKETS FOR RAW COFFEE, NORMALLY ACCOUNTING FOR MORE THAN 50 PERCENTOF THE TOTAL. THE VALUE OF THIS LATEST COFFEE DEAL IS REPORTEDLY IN THE NEIGHBORHOOD OF DOLS2.5 MILLION.

4. REGARDING THE EXPORT OF PEANUTS, THE GOI HAS DECIDED TO IMPOSE A DUTY OF RS.600/MT (DOLS70) ON UNSHELLED PEANUTS AND RS.800/MT (DOLS94) ON PEANUT KERNELS. DUTIES ON THE EXPORT OF THESE ITEMS HAS NOT BEEN IMPOSED SINCE 1958. THIS DECISION HAS BEEN MADE AMIDST A COMPLEX SET OF RELATED FACTORS: DIVERGENT PRICE TRENDS IN INDIAN AND INTERNATIONAL MARKETS; THE IMMINENT ARRIVAL OF THE SOUTHERNPEANUT CROP; OFFICIAL RELUCTANCE TO LIFT EXISTING CURBS ON THE USE OF PEANUT OIL IN THE PRODUCTION OF VANASPATI (VEGETABLE SHORTENING); THE RECENT DECISION TO RAISE THE FLOOR PRICE ON THE EXPORT OF HAND-PICKED-SELECT (HPS) PEANUTS; PRESSURE FROM GORWERS FOR PRICE SUPPORT OPERATIONS; LOSSES INCURRED LAST YEAR IN THE EXPORT OF PEANUT MEAL; AND THE GOVERNMENT'S OVERALL CAMPAIGN TO STABILIZE COMMODITY PRICES.

5. IN THE FACE OF A 40 PERCENT INCREASE IN PEANUT PRODUCTION DURING 1975-76 AND THE PROHIBITION ON THE PURCHASE OF ALL BUT A SPECIFIED QUANTITY OF PEANUTS BY THE VANASPATI INDUSTRY, DOMESTIC PEANUT PRICES (LOOSE RAJKOT) RECENTLY FELL AS LOW AS 3800/3900 PER MT. PRESSURE FOR OFFICIAL PRICE SUPPORT OPERATIONS HAS BEEN MOST PRONOUNCED FROM GUJARAT, WHICH ACCOUNTS FOR NEARLY UNCLASSIFIED

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PAGE 03 NEW DE 02333 131623Z

ONE-THIRD OF TOTAL PRODUCTION. INFORMED SOURCES EXPECT THE GOVERNMENT TO PURCHASE SUBSTANTIAL QUANTITIES OF OIL IN ORDER TO CHECK ANY FURTHER DECLINE AND TO STABLIZE PRICES AT ABOUT RS.4500/MT; HOWEVER, IT SEEMS ODD THAT THE VANASPATI INDUSTRY SHOULD HAVE TO RESTRICT THEUSE OF PEANUT OIL PRECISELY WHEN ITS OVERABUNDANCE IS POSING A PROBLEM FOR GROWERS AND GOVERNMENT ALIKE.

6. WITH RESPECT TO THE EXPORT OF JUTE GOODS, THE GOVERNMENT

DECISION IS TO COMPLETELY EXEMPT SACKING, JUTE WEBBING, JUTE YARN, AND JUTE TWINE FROM EXPORT DUTIES. PREVIOUSLY, THE DUTY ON SACKING WAS RS.150/MT (DOLS18), ON JUTE WEBBING RS.200/MT (DOLS24) AND RS.105/MT (DOLS12) ON JUTE YARN AND TWINE. THIS IS ONLY THE LATEST OF SEVERAL DECISIONS TAKEN TO ASSIST AN INDUSTRY IN CRISIS DUE TO UNECONOMIC PRICES OF JUTE GOODS IN INTERNATIONAL MARKETS, RECESSION-RELATED REDUCTIONS IN DEMAND, MOUNTING STOCKS, AND SEVERE COMPETITION FROM THE SYNTHETICS INDUSTRY AND BANGLADESH JUTE GOODS. A WITHDRAWAL OF THE EXPORT DUTY ON OTHER JUTE GOODS (CARPET BACKING AND HESSIAN) ANNOUNCED BY THE GOI DURING MAY AND JUNE 1975 WAS FOLLOWED IN OCTOBER BY CASH COMPENSATORY SUPPORT AMOUNTING TO 10 PERCENT OF THE F.O.B. VALUE OF EXPORTED JUTE CARPET BACKING AND JUTE SPECIALITIES (DECORATIVE FABRICS, ETC.) HOWEVER, INTERNATIONAL DEMAND IS ONLY ONE SIDE OF THE INDUSTRY'S CURRENT PROBLEMS. THE CURRENT IMBALANCE BETWEEN SUPPLY AND DEMAND OF RAW JUTE MAY PRESENT THE INDUSTRY WITH NO OPTION OTHER THAN TO CLOSE DOWN DURING THE LEAN MONTHS OF JULY, AUGUST, AND SEPTEMBER, UNLESS REASONABLY PRICED IMPORTS OF RAW JUTE AMOUNTING TO AS MUCH AS 600,000 BALES ARE SECURED.SAXBE

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